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SUBJECT: UNION SEES BEER BOTTLE FACTORY RELOCATION AS A FRONT IN AN IDEOLOGICAL STRUGGLE

REF: (A) MEXICO 2017 (B) MEXICO 0013

¶1. Summary: Partly as a result of a dispute over union representation at a beer bottle plant in the northern Mexican state of San Luis Potosi (REF A) a portion of the factory is now being relocated. The dispute at the plant was never over whether or not the plant would be unionized but rather over which of two unions would represent the workers. The plant in question belongs to Grupo Modelo, which reportedly controls over 50 percent of Mexico's domestic beer market and who's internationally known &Corona8 is one of the best selling beers worldwide. The unions initially involved in the dispute were the CROC (Revolutionary Confederation of Workers and Peasants) and the SUTEIVP (Sole Workers Union of the Potosi Glass Bottle Industry). At present the CROC seems to be the short term winner of the dispute in that it now controls the collective bargaining contract at the factory. However, the longer term winner may well be the CTM (Confederation of Mexican Workers); a different union entirely from the two original disputants. The CTM's apparent victory stems from a decision by the plant's management to relocate a large portion of its operation to the neighboring state of Coahuila. In terms of labor related issues Coahuila is a state dominated by the CTM. The leader of the Coahuila CTM sees the plant relocation as a victory for his federation and the most recent stage of an ongoing ideological struggle between labor unions in Mexico. End Summary.

A BITTER BREW AT MODELO

¶2. Grupo Modelo is one of the largest beer breweries in Mexico. Modelo produces a variety of beers, the most internationally famous being &Corona8, and reportedly controls over 50 percent of the Mexican domestic beer market. One of the main sources of bottles for the Modelo breweries is an in-house glass making plant named Vidriera Industrial Potosi located in the northern Mexican state of San Luis Potosi (SLP). Up until late 2006, and for at least ten years prior to that, the union representing the workers at Vidriera belonged to the Confederation of Mexican Workers (CTM). The CTM is the largest labor federation in Mexico.

¶3. In late 2006, following a protracted inter-union dispute the CTM ultimately accepted its loss in a union election which replaced it with an &independent8 union called the Sole Workers Union of the Potosi Glass Bottle Industry (SUTEIVP). As an independent union the SUTEIVP is affiliated with the National Workers Union (UNT), the second largest

labor federation in Mexico. The UNT has extremely close ties to Mexico,s main opposition political party, the PRD (Party of the Democratic Revolution). It also has significant support from the AFL-CIO.

¶4. Shortly after winning its contest with the CTM to represent the Vidriera workers in early 2007, the SUTEIVP successfully renegotiated the then existing collective bargaining contract and obtained a record 19 percent wage increase. The new contract greatly exceeded the GOM,s recommended wage increase for 2008 of 4 percent (Ref B) and surpassed by far the combined wage and benefit package of 6 or 7 percent most union in Mexico have accepted. However, by late 2007 the management of Vidriera Industrial Potosi decided changes were needed. On December 10, 2007 the plant,s management announced that for a variety business reasons it would have to fire approximately 200-250 of the factory,s 800 unionized workers. This announcement sparked a series of events, which, in mid-May 2008, ultimately resulted in another union, the CROC (Revolutionary Confederation of Workers and Peasants), now being declared the legal representative of the Vidriera Industrial Potosi workers. The CROC is the third largest labor union federation in Mexico.

BOTTLE FACTORY PLANS PARTIAL RELOCATION

¶5. One of the events related to Vidriera Industrial,s dispute with SUTEIVP and the firing of some 200-250 of its SLP workers was a decision by the plant,s management to

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relocate a portion of its operations. According to several press reports carried by both Mexican and US newspapers, Grupo Modelo announced plans to build a USD 280 million bottle making plant in the nearby Mexican state of Coahuila. This Vidriera management decision to relocate a part of its operation to Coahuila was recently confirmed to Mission Mexico,s Labor Counselor by the leader of the CTM in the state, Tereso Medina, who claimed to have direct knowledge of the relocation plans.

¶6. In talking with Medina, Labor Counselor could not help but note his obvious satisfaction with Vidriera,s decision to relocate to Coahuila. By its own admission the CTM controls upwards of eighty percent of all collective bargaining contracts in Coahuila. Consequently, it is almost a forgone conclusion that the workers hired to first to build and then those who will ultimately be contracted to work at the new bottle plant will be represented by CTM. Medina implied, but did not specifically state, that the Coahuila CTM would directly benefit from the relocation of the Vidriera bottle plant.

¶7. Post has previously reported that some labor observers believe that both the Coahuila state government and the dominant union there, the CTM, have what could best be described as an excessively pro-business slant. The Coahuila CTM does not specifically see itself as being pro-business; rather it thinks of itself as an organization that knows how to reach mutually beneficial accommodations. However, Labor Counselor has talked with both American labor observers and Mexican labor union officials (some of whom are even high level CTM officials in other parts of Mexico) who believe that the CTM in Coahuila is prepared to go to great lengths to maintain its prominent position in the state. It is therefore conceivable that the Coahuila CTM may well have encouraged the bottle factory to relocate to the state.

COAHUILA CTM LEADER SEES IDEOLOGICAL STRUGGLE

¶8. Continuing his comments about the relocation of the

Vidriera plant to Coahuila, Teresa Medina suggested that it would only be right for the company to resume its relationship with the CTM. Medina noted that prior to the current labor problems at Vidriera's SLP bottle plant the workers there had been represented for many years by the CTM.

He then averred that the actions prompting the SLP Vidriera workers, decision to switch union representation from the CTM to the SUTEIVP, and by extension to the National Workers Union (UNT), were no doubt supported and quite possibly initiated by the &independents8 labor federation.

¶9. Medina opined that the CTM, which has close ties to one of the country's two main opposition political parties, the PRI (Mexico's former ruling party, the Institutional Revolutionary Party) is much better, suited to represent workers than the UNT. (Note: Coahuila is currently governed by the PRI.) When Mexico was governed by the PRI the CTM was the government's official labor federation. During that period the CTM developed a particular way of operating in which accommodation in order to maintain social peace, as opposed to confrontation with the private (and public) sector was the rule of the day. This is not say that the CTM sought accommodate simply for the sake of accommodation. Rather the goal of this accommodation was to give every bit as much weight to maintaining social peace as it gave to promoting worker rights and interests.

¶10. The Coahuila CTM leader underscored that the vision of his labor federation and that of the UNT were very different.

Medina suggested that the UNT and its affiliated unions tended to adapt a more confrontational approach when dealing with employers without looking at the bigger picture. He then stated that the CTM and UNT were in an ideological struggle and that the issues surrounding the decision by Vidriera SLP to relocate a part of their operation to Coahuila was a real victory (for the CTM) in that dispute.

¶11. As a labor organization, the UNT places a high value of social justice. The UNT, like the CTM, is very concerned with social peace. In its dealings with employers the UNT realizes that its affiliated workers have a great deal to lose if the union drives businesses away by being overly

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aggressive. However, there is no question that the UNT is much more prepared to sacrifice a bit of social peace in order to win a better deal for workers than is the CTM. This difference in perspective, as well as the fact that the two federations are affiliated with different political parties, is the underlying cause for what the Coahuila CTM leader was an ideological struggle. Having talked with some UNT members associated with the original dispute between SUTEIVP and Vidriera's management, Labor Counselor saw little indication that they considered themselves in some sort of struggle with the CTM. However, they were leery of the CTM and considered that federation's approach to promoting the interests of workers to be outmoded and obsolete.

COMMENT

¶12. It may be something of an overstatement to say that the CTM and the UNT are in an ideological struggle. The two labor federations certainly have different perspectives. The CTM is still very much the corporatist organization it was during the approximately 70 years that the PRI ruled Mexico. The UNT, although not officially linked to the PRD as the CTM is with PRI, is very much like that political party in that it is more than ready to challenge the status quo. The UNT's position regarding social justice is very much in keeping with Mexican political traditions but its positions on worker rights and interests are probably more in line with how these issues would be defined in the US. Because of this the UNT is often supported by the AFL-CIO in its organizing efforts. AFL-CIO support of the UNT probably is another

reason why the CTM (at least in Coahuila) sees them as an ideological adversary. However, it is just as likely that the differences between the two federations has more to do with competition between the organizations in first and second place as it does with any deeply held ideological beliefs.

¶13. This message was cleared by AmConsul Monterrey.
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